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STATE FOR NEA/IPA

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SUBJECT: AM AHAD AND LABOR MERGER LIKELY

Classified By: POL/C Norman Olsen for reasons 1.4 (b) and (d).

1. (C) Histadrut International Secretary Nawaf Massalha told poloff April 22 that it is likely Amir Peretz's Am Ahad Party will merge into the Labor Party by January 2005. According to Massalha, who served as a deputy foreign minister in the Barak government, a draft agreement is being circulated between the two parties outlining the process for merger. Massalha said that the agreement provides for Am Ahad MKs to take 20 percent of any ministerial positions awarded to Labor, claiming the proportion is calculated on the basis of the number of votes awarded to each party in the last Knesset election, where Labor took 19 seats and Am Ahad fell slightly short of four. Commenting on the speculation that a new Likud-Labor government might be formed in the wake of the disengagement debate, Massalha noted with dismay that such a move would likely occur before the merger is completed, precluding Am Ahad KMs from taking any ministerial seats.

2. (C) The current leader of Am Ahad, Histadrut Chairman Amir Peretz, broke away from Labor in 1999 to form the social-issues-focused Am Ahad Party. Massalha claims that the Labor Party in general, and Shimon Peres in particular, will be happy to bring Peretz back into Labor to boost the party's credibility with the middle and lower-middle classes. According to Massalha, the Labor Party, unlike its European counterparts, has grown disassociated from core issues like eliminating unemployment and poverty. In today's Israel, Massalha said, no politician is more clearly associated with those issues than Amir Peretz. Massalha noted that Peretz was a Peres protege for years and indicated Peres is actively seeking Peretz's return. Massalha also said that it is highly likely Peretz will compete for leadership of the Labor Party when Peres steps aside.

3. (C) Am Ahad has three MKs: Amir Peretz, Ilan Cohen, and David Tal. Massalha acknowledged that David Tal, a former Shas MK who ran as Am Ahad because of his strong interest in social issues, will almost certainly leave the party if it merges into Labor. Massalha said that Tal cannot return to Shas, and would likely join Likud when the merger becomes final.

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